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[Outline of Five year plan, 1965-70]

Nepal. MINISTRY OF ECONOMIC PLANNING,
HIS MAJESTY'S GOVERNMENT OF NEPAL

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FOREWORD

The outline of the forthcoming periodic plan (1965-70) due to begin from July, 1965 has been presented in the following pages. The outline was approved by the National Planning Council on its meeting held in Kathmandu on January 5, 1965.

This outline contains the broad objectives and the priorities, the total outlay and its tentative allocation as well as the broad targets for different sectors for the plan period. The detailed programmes for various sectors are currently in the process of being worked out. Hence, some changes in some of its aspects are likely to occur.

As our knowledge and experience is limited in this field, it is essential that all interested citizens should actively cooperate in the formulation of the Plan which is vital to the rapid development of the country. It is, therefore, hoped and requested, that the country's intellectuals and notably the economists take active interest in the process of finalizing the Plan and contribute through their valuable comments and suggestion.

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The effectiveness of planning as a means of utilizing limited resources in accelerating development and improving living standards is evident from the experience of other developing countries. With this object in view, Nepal started its economic planning effort in 1957. Since then, a five year plan and a three year plan have been prepared and implemented. Both plans attempted to consolidate and present departmental programmes in a coordinated way. In the first plan, due to lack of statistics, administrative bottlenecks and the fact that planning itself was a new experience for Nepal, this coordination was achieved only in the sense of compiling all programmes in a single document. In the Three Year Plan, development activity was integrated and synchronized to a greater extent. However, even by 1961 most of our problems such as, lack of information, planning experience, training etc. were still not adequately present, a comprehensive plan with long term objectives could not be prepared. In view of our limited resources, administrative efficiency and experience, it was more essential to design and implement a feasible plan with specific objectives.

The formulation of a comprehensive, nation wide plan and its successful implementation requires certain pre-conditions. The Three Year Plan placed major importance upon the establishment of such pre-conditions. As a result of the improvements achieved, it has now become possible to undertake a comprehensive, nation-wide plan with long-term objectives.

As a result of the population census, the agricultural survey and various other statistical collection activities, we now have more information about our economy. The various steps taken during the Three Year Plan for the improvement of administration have led to an increase in our administrative efficiency to a considerable extent. The creation of such essential units as the National Trading Company, the National Transport Organisation, and the Cooperative Bank are also bound to facilitate the execution of development programmes.

In view of the need for trained personnel to bring about an improvement in administration and implementation different types of training programmes have been started. Work has began on the establishment of a permanent Administrative Institute. The establishment of various technical institutes within the country has made it easier to supply intermediate level technicians for various activities. In addition, candidates are also being sent abroad in larger numbers for higher level training. As a result, the problem of manpower shortages will be relatively less acute during Plan period. Significant achievements have been made in such basic fields as transport and communications, power, irrigation, etc. The process of industrial development has started in the country with the establishment of a cigarette factory, sugar mill and a leather and shoe factory in the public sector. Other industries have been started in the private sector. The initiation of the land reform programme will help to bring about a change in our traditional agriculture and also facilitate the transfer of labour and capital from agriculture to other productive areas.

The panchayat system has become an important medium of mobilising national resources and also of implementing national plan. The organisation of panchayats at the village, district, zonal and national levels has provided an opportunity to the people to participate actively in the formulation and implementation of development projects. This means that greater public contribution and cooperation will be forthcoming in our future development efforts. Since the success of any nation-wide plan will ultimately depend upon the ambition and enthusiasm of the masses, the establishment of the panchayat system has created a suitable atmosphere for such conditions. This system has provided a basis for the government and the people to undertake a joint effort in the common task of national economic and social progress.

Long Term Objective

A long term view could not be adopted in the earlier plans due to the lack of information on our existing conditions. Knowledge about our economy is still limited; but it has increased considerably as a result of the execution of various programmes during the Three Year Plan. It is now possible to plan in terms of a long term perspective even though only an a very tentative basis. In this connection, His Majesty's statement that "if we want to raise Nepal to the level of other developed countries, we have to accomplish in 10 or 20 years what they took centuries to do" serves as a basic guideline. Although the tempo of development activities has increased in recent years, our achievements are still very limited in comparison to our needs. More effortful steps will, therefore, have to be taken for accelerating development in the country.

The population census of 1961 indicated that the population of the country was growing at a rate of 1.6 per cent per year. From the experience of other developing countries, it can be expected that population will increase at a higher rate as a result of declining death rates in the process of development. There is, therefore, a great need for increasing investment to raise the living standard of the growing population. The possibility of raising the level of investment depends, however, upon the spending capacity of government and the enthusiasm of the private sector. Although both of three things were not adequate in past years, the spending capacity of the government and the interest of the private sectors have been increasing. This will increase rapidly in the future.

Taking all of three things into consideration, it appears feasible to formulate a plan to double national incomein fifteen years. This target may appear somewhat high on the basis of past performance; but it cannot be said to be ambitious in terms of our needs. The tempo of development activities will, of course, have to be accelerated in order to achieve this target. To double national income in fifteen years, income must be increased at an annual rate of 4.7 per cent. Since it will be difficult to achieve such a rate in the beginning, it will be necessary to start from a lower rate at first and increase it gradually in subsequent years. The details in this connection are given in the Appendix.

The ultimate objective of a developing country is to establish a just society free of of exploitation. The mere increase in national output without any provision for its proper distribution cannot be regarded as an achievement toward the fulfillment of this goal. The Three Year Plan gave recognition to this fact and this goal has been kept in mind in formulating programmes for this five year plan also.

The Third Plan

The Third Plan has been formulated on the basis of the above objectives.

The plan calls for expenditure of Rs 200 crores. Owing to the difficulty of meeting such a large outlay from internal sources only, there will inevitably be dependence upon foreign assistance. Out of the total plan outlay, Rs 150 crores will be spent in the public sector and Rs 50 crores inthe private sector. The Rs 150 crores allocated for the public sector appears somewhat high considering our past performance. However, in view of the increasing progress we have achieved in recent years and of rising administrative efficiency, this appears feasible.

In the public sector, some Rs 4.3 crores annually was spent during the first Five Year Plan. This increased to Rs 9 crores in the first year of the Three Year Plan period and Rs 14 crores in the second year. The development budget for the third and current year is Rs 22 crores. Actual expenditures are expected to reach Rs 18 or 19 crores. This indicates that the average annual expenditure during the Three Year Plan will be Rs 14 crores. There are also development projects financed and administered by foreign missions whose expenditure have not been included in the development budget of HMG. About Rs 6 crores

are estimated to have been spent annually on such projects. Considering all these things, an average outlay of Rs 30 crores per year in the public sector is a realistic target.

Private Sector

Although broad policies relating to theprivate sectors have been included in the Three Year Plan, private sector programmes were not included in the total plan. A comprehensive nation-wide plan will, of course, have to take into account the contribution tobe made by the private sector. In the present plan, the private sector has therefore been regarded as a component of the plan. The total outlay in this sector and its allocation are dealt with as in the case of the public sector. This, besides being a notable change from the past, rightly places nation building responsibility upon the private sector as well. The government will provide various facilities and concession in order to channel private investments into activities consistent with national policies and priorities.

Annual Programmes

It is necessary to have an annual phasing of the works to be undertaken in different sectors for the successful implementation of the plan. This arrangement will not only lead to maximum utilization of national resources but will help to estimate construction materials requirements so that action can be taken to have these materials available when and where required. It will also be easier to make an appraisal of individual projects and to make necessary changes in the Plan. Taking all of these factors into consideration, a proposed allocation for each year of the Five Year Plan is shown in Table 1. In this table, the public and private sectors have been shown separately.

Table 1

Estimated Annual Expenditures over the Five Year Plan

(Crores of Rupees)

Year	Public Sector	Private Sector	Total
2022/23	25	6	31
2023/24	27	8	35
2024/25	30	10	40
2025/26	33	12	45
2026/27	35	14	49
Total:	150	50	200

Financing the Plan

Out of the total plan outlay of Rs 200 crores, Rs 150 crores has been earmarked for the public sector. Besides this, Rs 15 crores has been set aside for the private sectors to be provided through the ~~Reserve~~ Bank or NIDC in the form of loans. Hence this amount is also to be made available by HMG . This means that Rs 165 crores is to be made available from government sources and the remaining Rs 35 crores for the private sector either from the internal sources or from foreign private investment.

According to the present estimates, Rs 50 crores will be borne by His Majesty's Government and the remaining Rs 115 crores will have to be obtained from foreign assistance. Some part of the aid may be taken in the form of loans.

It is estimated that Rs 45 crores of HMG contribution will be from the savings of the regular budget and the remaining Rs five crores will come from internal loans. Some Rs three crores are the savings from the regular budget in the fiscal year 1963-64. This is expected to increase to Rs 5.58 crores in the current fiscal year. In view of these trends the average savings of Rs 9 crores annually during the Plan period from the regular budget is possible provided there is a drive to have a progressive increase in public revenues in excess of the increasing volume of regular expenditures. The estimated income and expenditure during the next five years has been shown in Table 2. This table shows a total savings of Rs 47.56 crores in five years. However, since about Rs 2.5 crores will be needed for the repayment of past loans, the actual savings will be only Rs. 45 crores. The income of His Majesty's Government has to be increased from Rs 17.89 crores in 1964-65 to Rs 30 crores at the end of the Plan period, 1969-70. The expenditures in the regular budget must be restricted to the minimum possible.

Table 2

The Savings from the Regular Budget in the Five Years

(Crores of Rupees)

	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70
Income	17.89	19.99	21.80	24.06	26.88	30.01
Expenditure	12.31	12.97	13.86	14.89	16.13	17.33
Savings	5.58	7.02	7.94	9.17	10.75	12.68

Recurring expenditures presently included in the development budget are to be transferred to the regular budget in the future. This and the inevitable increase in general administrative expenditures will result in an increase of regular expenditures in the years to come. The problem, therefore, is one of progressively increasing government revenues.

Part of the increase in government revenue can be realized through better assessment and collection of current taxes. Government income from current tax sources will also increase as a result of expanding economic activities in the country. Efficient management of the government corporations that have already been established or are to be established during the plan is also bound to provide higher income to the government. This does not mean, however, that new tax measures will not be necessary to meet the financial requirement of the Plan. The above mentioned factors alone can hardly help to increase government revenues sufficiently. New taxes will have to be imposed for the successful implementation of the Plan. From the economic point of view also, the imposition of new taxes does not seem impracticable. The present government income is some 4.5 per cent of the national income. It will be only about 5 per cent of national income even if it is increased to Rs 30 crores in 1969-70. This figure is very low even in comparison to other developing nations.

Internal loans are expected to contribute Rs 5 crores. This type of loan was first floated in the country in 1963-64 and the public response is reported to have been satisfactory. With the increasing awareness amongst the people and with the rising level of income, it should not be too difficult to realize such loans at the rate of one crore a year during this plan period.

Financing the Private Sector

The Plan envisages an outlay of Rs 50 crores in the private sector. Out of this Rs 15 crores will be made available from the government corporations (Nepal Industrial Development Corporation etc.). The rest will have to be mobilized from the private sector proper. Rs 35 crores in five years or Rs 7 crores a year is less than two per cent of total national income. We do not have any statistical information on the volume of savings generated by our economy; but such a small amount can be made available from savings in the private sector. Moreover, a portion of this amount will also be met by foreign private investment. The increasing activities in the private sector give evidence of the fact that the industrial policy followed by His Majesty's Government has been able to create conditions suitable for the development of the private sector in the country. The Nepal Industrial Development Corporation has been providing financial and technical assistance to the private sector and its activities will be further expanded in this plan period. In addition, it is essential to create facilities to channel private savings into investment. In this connection, the possibility of establishing a Stock Exchange in Nepal will be studied.

Priorities and the Allocation of Resources in the Plan

The economic condition of the people cannot be sufficiently improved without the development of agriculture which is a source of livelihood for more than 90 per cent of the population. The methods of agricultural cultivation need considerable improvement so as to meet the needs of the growing population, to provide for an export surplus to finance the increasing demand for imports and also to provide a base for rapid industrialization. It is obvious that improved methods of cultivation in agriculture will release the labour to be utilized in other sectors. Agriculture is, therefore, accorded top priority in this plan.

Land reform measures have been initiated to create conditions necessary to provide an adequate incentive to the actual tillers to increase agricultural output. Necessary legal arrangements have already been made to identify ownership, to establish the right of the tillers upon the land they cultivate and to fix ceilings on rent. During this plan period, land reform measures will be further implemented and proper system of land administration established throughout the country. A Cooperative Bank has already been established for the administration of agricultural credit. Its activities will be further intensified during the plan period. Necessary financial and technical assistance will be provided for the improvement and development of marketing facilities.

Over and above these organisational reforms, provision will also be made to facilitate the procurement of agricultural inputs such as improved seeds, fertilizers, etc. New techniques and ideas will be propagated through research and agricultural extension services to modernize agriculture.

From the long term point of view, however, rapid and all round development of the country is not possible without industrialization. Establishment of new industries will make it possible to check the increasing pressure of population upon land and to increase productivity by shifting labour from agriculture to other sectors. Adequate importance is, therefore, also given to the development of industries. The policy of encouraging private sector by providing loan and technical assistance through the NIDC is kept intact. Efforts will also be made to establish industries in the public sector.

However, sustained growth of both agriculture and industries requires the development of transport and communication facilities and of power as well. Transport, communications, and power are the basic facilities essential for sustained economic growth. In addition, transport

and communications are necessary for the economic, social and administrative unification of the nation. In view of all these factors, the development of this sector was accorded a high priority in the preceeding plans. The achievements, however, are still far from satisfactory. In this plan, the largest portion of the total outlay will be invested in these sectors.

As regards social services, the policies adopted in the Three Year Plan will be maintained. Social service facilities are very meagre in Nepal in comparision to other countries. Any attempt to extend these facilities should, however, be based upon the consideration of the available resources and the problem of maintenance. A realistic approach is followed in this Plan. This is not to imply, however, that attempts will not be made to extend the facilities for education, health, etc. In this plan period, theexisting facilities will be connsolidated and also expanded where possible.

The allocation of resources made on the basis of the above mentioned line of priorities is shown in Table 3. A detailed distribution of the total outlay can be seen in Table 4.

Table 3

Allocation of Resources

(Crores of Rupees)

Sectors	PUBLIC		PRIVATE		TOTAL	
	Outlay	%	Outlay	%	Outlay	%
Transport & Comm. and Power	70.5	47.0	2.0	4.0	72.5	36.3
Agriculture and Irrigation	41.0	27.3	13.0	26.0	54.0	27.0
Industry	11.5	7.7	30.0	60.0	41.5	20.7
Social Services	23.0	15.3	5.0	10.0	28.0	14.0
Others	4.0	2.6	-	-	4.0	2.0
Total:	150.0	100.0	50.0	100.0	200.0	100.0

Private Sector outlays also include Rs 15 crores to be made available from government sources. Investment to be made in local development works through local resources and voluntary labour is not included. Similarly the amount to be expended land reform to be met from local resources is not included.

Table 4

Allocation of Resources in detail

(Crores of Rupees)

Heads	Public	Private	Total
Transport, Communications and Power	70.5	2.0	72.5
Road	41.0	-	41.0
Aviation	3.5	-	3.5
Aviation (RANC)	1.5	-	1.5
Other Transportation	-	2.0	2.0
Post + Telecommunication	3.5	-	3.5
Power	21.0	-	21.0
Agriculture & Irrigation	41.0	13.0	54.0
Agriculture & Allied subjects	14.5	13.0	27.5
Panchayat Development	9.0	-	9.0
Cooperatives	2.5	-	2.5
Forest & Medicinal Plants	5.0	-	5.0
Irrigation	10.0	-	10.0
Industry	11.5	30.0	41.5
Industry & Mining	11.0	30.0	41.0
Tourism	0.5	-	0.5
Social Services	23.0	5.0	28.0
Education	12.0	-	12.0
Health	9.0	-	9.0
Drinking Water	2.0	-	2.0
Housing	-	5.0	5.0
Other	4.0	-	4.0
Statistics	1.0	-	1.0
Publicity & Broadcasting	1.0	-	1.0
Miscellaneous	2.0	-	2.0
Total:	150.0	50.0	200.0

ECONOMIC POLICY

Industrial Policy

Industries have an important role to play in accelerating the rate of economic development. In order to develop industries as rapidly as possible, the government will follow a pragmatic approach and ecourge the development of industries in both the private and public sectors instead of adhering to any particular dogma or indulging in argnments for and against each of these sectors. His Majesty's Government will give due attention to the development of the basic infrastructure in the form of power, transport and communication to encourage the establishment of industries in the private sector. Financial and technical assistance and also other facilities will be provided. The government will ensure that the basic industries to be established in the private sector are consistant with national welfore. Attempts will, moreovdr, be made to establish such industries in the private sector as far as possibly.

Commercial Policy

Commercial policy will be based upon the need to increase the total volume of exports and to diversify trade both country and commoditywise. This objective will be kept in mind also is formulating industrial and agricultural development programmes. In establishing trade relations with other countries, utmost care will be given to ~~make~~ place it on a sound footing. The export and import of a few selected commodities may be conducted in the public sector if necessary. The National Trading company will have an important role to play in this connection.

Price Policy

The association of economic development with some increase in prices of consumers goods and goods needed for development works can be seen from the experience of other countries. But an extreme increase in prices would be detrimental to the process of development. Therefore, in this Plan, government policy will be to stabilize the prices of different commodities, specially those of basic consumer goods and of development materials. To this end, the following steps will be taken.

a. To make food available in deficit area from the surplus area;

b. To build up stocks of foodgrains in different parts;

c. To produce goods needed for development works within the country itself or, otherwise, to make necessary arrangement to import them in a planned way;

d. To produce consumers' goods within the country. The possibility of stabilizing prices in the long run depends upon production. Therefore, in making choice of projects for this Plan period, an attempt has been made to blend together the projects that lead to immediate production and those which do not increase production immediately in a suitable proportion. Priority will be given to projects which help to increase production directly. Direct control prices of different commodities may also be resorted to, if necessary.

Regional Development

From the point of view of regional development, the country has been divided into three major parts on the basis of river basins, namely, the Karnali region, the central region, and the eastern region. Since the availability of the various natural resources of the country, especially water resources has been worked out on the basis of this division, the possibility of power development and irrigation will have to be ascertained also according to this division. This means that the agricultural and industrial development programmes will have to be drawn accordingly. The desirability of adapting a regional approach in agricultural development will also be clear when we consider the geographical situation of the country. The possibility of providing irrigation facilities in the Terai would mean that the agronomy programme can more probitably be concentrated there, while the livestock and horticulture development activities have a greater scope in the hills.

However, since this kind of programme may lead to development centralized in some parts of the country only, other kinds of programmes that will help to achieve balanced regional development will also be initiated. The facilities of agricultura cottage and small industry, education, Health, local roads, airports, postal services, etc. will inevitably have to be provided for all parts of the country. This principle will be followed while deciding upon the development programmes for this Five Year Plan.

Outline of Programme in Different Sectors

Agriculture

Increase in agricultural output and its fair distribution is essential for an all round development of this vital sector which is a source of living for more than 90 per cent of the population in the country. This will ensure the peasants that their labour will be appropriately rewarded, and thus encourage them to put in additional efforts to increase production. The agricultural development programme of this plan can be divided in two parts.

1. Organizational: The development activities to be undertaken at the different levels of panchayat, especially organisation, at the district panchayat level and the land reform programme come under this.

The central government will provide financial and technical assistance for the panchayats to encourage them to undertake development works with their own resources. They will be encouraged to take up projects of local importance such as roads, irrigation, education, health and agricultural extension which can be executed through the effective utilization of local resources including labour, capital and natural resources.

Under land reform, the agricultural reorganization programme initiated during the Three Year Plan will be completed. Arrangements for credit facilities will be made to support the land reform programme. The peasants will be encouraged to work on the basis of the principals of Cooperation. The Cooperative Bank will be developed to make arrangement for nationwide credit facilities as required by the land reform programme. Cadastral survey of all the cultivated land will be completed, in order to provide a base for a firm and well organised land administration.

2. Production: The targets for agricultural production are fixed at a 15 per cent increase in the case of foodgrains and 20 per cent, 20 per cent, 80 per cent and 120 per cent in the case of cash crops, namely, jute, oilseeds, tobacco and sugercane respectively. This target is based upon the following consideration:

1. to provide for per capita consumption of foodgrains at the rate of 15 ounces per day;
2. to meet the deficit of foodgrains in the scarcity areas;
3. to increase the production of foodgrains and of commercial crops for exports;

4. to increase the production of food items other than foodgrains in order to increase the intake of protein foods.

Special emphasis will be placed upon the following activities to achieve the above mentioned targets:

a. Irrigation: Irrigation has a big role to play in increasing agricultural production. On the basis of the current cultivated land and on the possibility of increasing production, irrigation facilities will be made available in the Terai and in the hilly region where feasible. Emphasis will also be given to minor irrigation projects. Besides making additional irrigation facilities available, arrangement will also be made to make better use of existing facilities. The plan provides for additional irrigation facilities on 4,40,000 acres of land. Out of the total cultivated land of 45,46,000 acres, only 2,20,000 acres are irrigated at present. With the fulfillment of the above mentioned target, a major portion of cultivated lands in the Terai will have irrigation facilities.

The Chatra, Kamala, Mohana and Rapti projects initiated during the Three Year Plan will be completed during the Plan period to achieve the above mentioned target. Other new projects will be completed too. Work will also be started on the Bagmati project. Active cooperation of the local panchayats will be obtained in the execution of minor irrigation projects.

b. Use of fertilizers: In view of the importance of the use of fertilizers in increasing agricultural production, the peasants will be encouraged to make increasing use of fertilizers and manures. Supply of fertilizers in adequate quantity will be ensured.

c. Double cropping: The peasants, especially in the Terai region, will be encouraged to double-crop to make use of fertilizers and irrigation facilities. The switch from the existing single cropping system to the double-cropping system is expected to lead to a substantial increase in agricultural production.

d. Extension: The agricultural extension programme will be more efficiently executed on a nation-wide scale to encourage the peasants to make use of better techniques of production. The local panchayats will be more actively associated with the extension programme. Emphasis will be given to research and demonstration activities.

e. Livestock Development: Additional efforts will be made to develop livestock, fishery and poultry output in order to increase the availability of protein foods.

f. Horticulture: Efforts will also be made to develop horticulture in the hilly region. Emphasis will be given to the cultivation of vegetables in different Terai and hilly regions where possible.

g. Resettlement: The resettlment programme will be expanded.

Food:

At present, the production of foodgrains in Nepal is more than national consumption. However, the supply of foodgrains in the deficit areas is limited due to inadequate transportation facilities. In the course of development, the supply of foodgrains in adequate quantity should be made available. From the long term point of view, the solution of this problem depends both upon agricultural production and the means of transportation. However, it is necessary to make some efforts for short run solutions. The newly established Food Corporation will have to play a significant role in this. The plan provides for the transportation of foodgrains from surplus areas, holding adequate stocks at different places, and for the construction of warehouses.

Forest and Herbal Development Programme

Forests are one of the most important natural resources of Nepal. However, forest products have not been utilized properly due to the lack of adequate information. The programmes of boundary demarcation, fire line construction and forest road construction will be continued during the Third Plan. Special steps will be taken in the field of soil conservation. The completion of this survey work will be helpful in formulating programmes for the utilization of forests in a planned way. The programme of training will be continued and research work relating to forest utilization will be initiated.

Herbs play an important role in the botanical resources of Nepal. A Drug Research Laboratory has already been established and research work will be initiated during the Plan period.

The programmes relating to the botanical garden, herbal farms, the botanical survey, etc. will also be continued. Herb marketing centres will be established in different parts of the country to encourage farmers in the production of herbs.

Industrial Development

From the long term point of view, industrialization is necessary for the economic uplift of the people. His Majesty's Government has been providing economic and technical assistance to private entrepreneurs for the establishment of industries. At the same time, government itself has taken up certain industries. Development of industries will receive further impetus during this plan. Financial and technical assistance will be provided to the private sector to a greater extent. Other facilities will also be provided to the private entrepreneurs, domestic or foreign, wishing to establish new industries. Some important industries will also be established in the public sector.

The industrial development programme will be directed both towards increasing the capacity of various industries and also towards the fuller utilization of existing capacity. Emphasis will be given the establishment of consumer goods industries, industries that will help to expand exports and earn foreign exchange, and those which make use of domestic resources. The following table gives the production targets for some important industries:

Industry	Unit	Current Production	Targets (Additional Production Capacity)
Jute	Ton	15,000	15,000
Sugar	Ton	17,000	25,000
Cotton Textile	Yard	-	2,00,00,000
Woolen Textile	Yard	-	2,50,000
Cement	Ton	-	1,00,000
Paper	Ton	-	15,000

Industrial Development Programme in the Public Sector

The following industries will be established in the public sector:

a. Agricultural Implements Factory;
b. Brick and Tile Factory;
c. Cement Factory.

In addition, the capacity of the government owned Timber Corporation will be expanded. New industrial estates will also be established. The general facilities available in the industrial estates will be an encouragement for the establishment of small industries and will also make the operation of such industries more economical. These estates will probably be established at Jhapa, Dharan, Birgunj, Butwal and Nepalgunj. Meanwhile, mineral and industrial surveys will be continued to provide a basis for planned and effective utilization of national resources.

Cottage Industries.

The Cottage Industries Programme will be oriented so promote the development of village and handicraft

industries. For this purpose the present training Programme will be evaluated and only those sectors which are fully justified will be continued. Meanwhile, the vocational training will be transfered to the Technical Workshop established within the Department of Industry. Technical assistance will be provided for the development of village and handicraft industries. Surveys and feasibility studies will be undertaken to get more knowledge about the current situation and the possibility of further development of cottage industries.

Industries in the Private Sector

The Industrial Policy of His Majesty's Government has assigned an important role for the private sector in the development of industries. Accordingly, the Nepal Industrial Development Corporation has been established to provide the necessary technical and financial assistance for the development of industries in the private sector. Int this plan, Rs. 30 crores is expected to be invested in the private sector. Out of this, Rs. 10 crores will be provided by the government in the form of loans. The industries to be established in the private sectors include Jute, cotton and woollen textiles, cement, paper, sugar, forest production, soap and other consumer goods industries.

Tourism:

The number of tourists coming to Nepal has increased by 40%, i.e. from 7,000 to 10,000, during the Three-year Plan period. The shortage of hotels and aviation facilities are the main bottlenecks at present. A significant increase in the number of tourists can be expected after the completion of the Gauchar Cross-runway and the new hotels which are under construction. By 1970 some 20,000 tourists are expected to come annually.

At present tourists are staying mostly in Kathmandu. Thus, efforts will be made for the development of other sites to encourage more visits outside of Kathmandu.

Transport and Communication:

Special efforts will be made towards the development of transport and communication facilities which are the basic pre-conditions for rapid industrialization, for the expansion of internal trade, and for the improvement and better coordination of administrative activities. The development programmes to be undertaken in the field of transport and communication will be as follows:

Roads:

Priority will be given the road construction programme as it is the most important means of transport in Nepal. The plan provides the construction of 1,000 miles of roads of which 500 miles are fair-weather and 500 miles are all-weather roads. Among the principal roads are section of the East-West Highway, the Kathmandu-Kodari, Sunouli-Pokhara and Dharan-Dhankuta roads. Some twenty suspension bridges will also be constructed to provide more transport facilities in the hill areas of Nepal.

Aviation:

Aviation will be developed to provide a fast means of transportation. In the hills where a complete net work of roads is not likely to be constructed in the immediate future, additional aviation facilities will have to be provided. Airports at Jhapa, Biratnagar, Rajbiraj, Simra, Pokhara, Nepalgunj and Dang will be imporved and mettalled. The construction of the Gaucher cross-runway will be completed. Some 20 STOL airstrips will be constructed in the hills. Royal Nepal Airlines Corporation will be given additional capital resources.

Postal Services:

At present, there are 439 post offices in Nepal. In this Plan period, 100 new post offices will be opened and will increase the post office population ratio from the current one per 22,000 persons to one per 19,000 persons at the end of the plan period. In establishing new post offices priority will be given on the basis of the density of population. The village panchayats will be encouraged to open post offices in other areas. Steps will also be taken to reorganise and improve the existing postal facilities.

Telecommunications:

Efforts will be made to develop telecommunication as a part of the communication imporvement programme. In view of their commercial importance, population and market for telephone facilities, the plan aims at providing local telephone facilities at Birgunj and Hetauda. Some 4,000 additional lines will be made available in Kathmandu as the demand is increasing. On a country wide basis, work on a microwave telecommunication facility will be started. One trunk carrier telephone system will be opened from Kathmandu to Raxaul.

Transport in the Private Sector:

Some ropeway lines will be set up in the private sector with the assistance of the Nepal Industrial Corporation. The private sector will be encouraged to expand truck and bus facilities.

Education:

Special emphasis is given the development of primary and vocational education and the improvement of higher educations. Some 40 per cent of the children from 6 to 11 years will be enrolled in primary schools. Meanwhile, work school buildings, educational materials and the training of school teachers to improve the standard of education, will be continued. Inspection will be emphasized.

Secondary school education will be made available for some 20 per cent of the primary school students. Moreover, special importance is given to vocational education. The policy of vocationally orienting the secondary schools will be continued. More facilities will be made available to secondary schools to improve existing conditions.

Higher education institutions will be provided with adequate facilities for further development. Efforts will be made to develop adult education facilites as rapidly as possible.

Tribhuwan University buildings at Kirtipur will be completed. Engineering, Agricultural and Medical Colleges will be started during the plan period.

Health:

At present, there are 145 hospitals and health centres with about 1,300 beds. This means one bed for about 7,000 persons. This suggests that level of hospital facilities is very low in comparison with other countries of the world. However, there is little possibility of adopting an ambitious target for the development of health services. The scarcity of doctors and other technicians is major prolem. Thus, more stress is given on improvement of existing facilities. It will be reasonable to set a target of adding 650 hospital beds in the next five years. Our limited means would hardly allow us to open both hospitals and health centres throughout the country. It is, therefore, planned to open hospital-cum-health centres where possible. An intensive family planning programme will also be initiated. The Malaria eradication will be completed. Further, the extension of other services for the control of smallpox, and leprosy will be continued.

Drinking Water and Dreinage:

The Sunderijal Drinking Water Project will be completed and new projects will be started in other parts of the country. A modern sewerage system will be started in Kathmandu.

Housing and Town Planning:

A master plan has been prepared for Kathmandu and Lalitpur & it will be put into affect. Efforts will be undertaken to improve the town areas, as the housing problem is likely to remain acute in Kathmandu.

Miscellaneous:

Statictics : The statistical development programme will be continued. The statistics relating to National Income Agricultural and Industrial Production, imports, exports prices, etc. will be made available. Special surveys will be conducted on cottage industries, internal trade, etc, and necessary knowledge will be acquired in these fields.

Publicity and Broadcasting : The publicity and broadcasting services will be expanded so as to get the entire people acquainted with the government's policy and objectives and also with the duties and responsibilities of the people. In Radio Nepal, one new powerful transmission will be put into operation. Under the publicity programme, facilities will be given to prepare documentary films in Nepal.

Sports : In the field of sports and recreation much of the target envisaged in the Three Year Plan is yet to be achieved. The Programme of expanding the existing National Stadium, constructing a modern and compact indoor stadium and a swimming pool will be executed in this Plan Period.

Implementation of the Plan:

The Second Five Year Plan envisages an average annual investment of Rs. 30 crores in the public sector in comparison to Rs. 20 crores in the Three Year Plan. It needs hardly any mention, therefore, that the limited resources including labour and administrative labour will be taxed to a greater degree. Arrangements must be made for the immediate solution of the problems that may arise in this respect in the course of implementation.

On the basis of past experience, the following factors appear to be important:

1. Contribution of the Panchayats: The role of panchayats in the different spheres of economic activity is important since the entire political and administration structure is based upon this system. The cooperation of the Panchayats is indispensable in dealing with the local people. The panchayats also play a large role in getting the local people interested and obtaining their cooperation in development activities. It is, therefore imperative that the Panchayat be associated also with central development activities. This requires coordination of the activities of the central government and those of the panchayats. Lack of such kind of coordination leads not only to a waste of limited resources but also stands in the way of development.

2. Administrative Improvement: Administrative efficiency is essential for the successful implementation of development programmes. Steps should be taken to make necessary organizational changes and to amend the rules after a careful study of the existing situation. In view of the government's policy of decentralization and the relatively weak administration in the districts, special attention should be paid to the improvement of district administration. The present programme of training government officials needs further expansion.

3. Increase in Internal Resources and their use:

Maximum mobilization of internal resources is essential for the success of the Plan. This mobilization is necessary if we are to gradually reduce our dependence upon external assistance. Improvement in the present tax administration system is necessary. The present tax structure can yield higher revenues with a more efficient administration structure. Arrangements should also be made for the mobilization of resources at the local level. The panchayats should be encouraged to raise locally a major portion of the resources needed to execute local development works. His Majesty's Government has already approved the policy of raising at the local level a substantial portion of the amount needed for the execution of the land reform programme. Importance should be given activities that will help earn foreign exchange.

4. Provision of Materials: The problem of meeting the requirements for different materials, especially construction items and foodgrains, is bound to become more pressing with the increasing level of development activities. Lack of such materials will be a great obstacle to the implementation of the plan and will also give rise to other problems. To meet this, a nation-wide Transport Coordination Board has already been established. To make this Board more effective, there should be proper coordination of the activities of this Board and those of other organizations related to the procurement & supply of materials. The departments should prepare estimates

of the requirements indicating the types and quantities is of materials as well as the time and places at which the materials will have to be supplied.

5. Training: In view of the need for trained personnel for the successful implementation of the Plan, the Three Year Plan accorded special priority to training programmes. In the Third Plan, training has been included in the overall programmes of the concerned departments, Training will continue to receive priority in this Plan. The training programmes should be coordinated with the different types of scholarships and fellowships available for studies abroad. The Three Year Plan adopted a policy of training lower level technicians inside the country and of sending students abroad for higher studies. In view of the increasing demand for technicians, it appears that during this Plan period facilities for some higher technical studies will have to be provided within the country. The need for different types of personnel should, however, be properly determined to provide a sound framework for development. Adequate numbers of technicians will have to be made available from abroad to meet the present demand. The technical assistance rendered by friendly nations will be used more effectively.

6. Labour: The increasing level of development activities may run into labour shortages. This problem has already been faced in the implementation of certain projects during the Three Year Plan. Successful implementation of this Plan, therefore, calls for necessary arrangements to ensure an adequate supply of labour for the various projects. In this connection, it will be desirable to provide necessary facilities such as foodgrains, housing, education, etc. for the labourers at the project site itself. To ensure an adequate supply of labour on a permanent basis, necessary action should be taken to encourage labour to shift into new occuptions.

APPENDIX

A Note on the Estimates of National Income for the Plan

In this plan the targets relating to National Income has been worked out on the basis of the tentative estimates made earlier for 1961-62.

The Gross Domestic Product of Nepal for the year 1961-62 is estimated at Rs 367 crores. The 1964-65 level of Gross Domestic Product would be necessary to find out the rate of growth achieved during the Three Year Plan. It is not possible at this stage to make detailed estimates of Gross Domestic Product for 1964-65. For this, among other things, a new agricultural census would be necessary. An attempt can, nevertheless, be made on the basis of investment figures. Adequate investment figures are also not available, but this need not make our task impossible.

Investment of the Three Yea Plan

Figures regarding the development expenditure incurred through the HMG development budgets are available. It is true that all of the development expenditure cannot be taken as capital investment, since some current outlay is also involved. However, since it is extremely difficult to make an estimate of such current outlay, the entire development expenditure is taken as investment.

Another important thing to note is that all of the development expenditures are not reflected in HMG budgets. The development expenditure involved in the case of projects directly executed by the doner countries are not included in the HMG budgets. These figures also should obviously be included in the total investment.

The most difficult task is that of estimating the volume of private investment. In the absence of adequate set of data, only a very rough estimate can be made at present.

The actual expenditure incurred during the first two years of the Three Year Plan and estimate for the current year are shown in the following table:

Year	Expenditure (Lakhs of Rupees)	Percentage of budget estimates
1962-63	949	57
1963-64	1420	71
1964-65	1911	88
Total:	4280	64

The Table shows that a total of Rs 42 crores and 80 lakhs will be spent under the development budget. Besides this, it is estimated that Rs 12 crores and 42 lakhs have been spent outside the budget in the last two years and it can be assumed that another Rs 6 crores would be spent this year. This means that a total of Rs 61 crores and 22 lakhs is likely to be spent in the public sector during the Three Year Plan.

Only a rough estimate can be made about investment in the private sector. It is assumed that the private investment will be 25 percent of the total public sector investment. In other words, 20 percent of that total investment is borne by the private sector.

This assumption need not be unrealistic. Nepal Industrial Development Corporation has provided assistance to the amount of Rs 1 crore and 44 lakhs in these three years[1]. Borrowers' Committment for the same period was about Rs 3 crores and 7 lakhs. This means that Rs 5 crores have been invested in NIDC aided private sector projects. There has also been private investment without any involvement on the part of Nepal Industrial Development Corporation. It is assumed that such investment amount to Rs 3 crores i.e. at the rate of Rs 1 crore a year. Another Rs 3 crores is assumed to have been invested in the private sectiors on residential and other construction. And it can be reasonably assumed that the rest i.e. Rs 4 crores, have been invested in agriculture., transport and other fields.

Increment in National Income during Three Year Plan

The total investment of the Three Year Plan will thus be Rs 76 crores and 50 lakhs. Assuming a capital-output ratio of 3: , it can be estimated that Gross Domestic Product should have increased by Rs 25 crores 50 lakhs over the Plan period. The estimated Gross Domestic Product for the year 1961-62 is Rs 367 crores. This figure will first have to be converted into current prices. Prices are estimated to have increased by 22 percent between 1961-62 and 1964-65. This means that Gross Domestic Product for 1961-62 at 1964-65 prices will be Rs 445 crores. Adding the increment of Rs 25 crores realized during these three years, we obtain Rs 470 crores as Gross Domestic Product for 1964-65 at current prices. This means that Gross Domestic Product is expected to increase by 6 percent over the Three Year Plan period.

Long Term Projectionoof the National Income

The long term ovjective of the Plan is to double the Gross Domestic Product in 15 years as mentioned in the text.

1/ The three year covers the period between 1961-62 -1963-64. This is on the assumption of one year lag between loan disbursement and actual investment.

This Second Five Year Plan aims at raising Gross Domestic Product by 17 percent. Another 83 percent increase from the initial year will then be realized in the subsequent plans. The rate of growth planned for different phases can be seen from the following Table:

Year	National Income (in crores)	Per Year Increment	Total Expenditure (in crores) within 5 yrs.	Increment in the National Income in the first year percentage.
1964-65	470	-	-	-
1969-70	550	3.4	200	17
1974-75	696	5.3	438	48.0
1979-80	940	7.0	832	100.0

Thus the annual average rate of growth planned at 3.4 per cent for the Second Five Year Plan will increased to 5.3 percent and 7.0 percent for the subsequent two plans. A capital output ratio of 2.5:1 is assumed for the Second Five Year Plan and of 3:1 for the latter plans. The capital output ratio of 2.5:1 appears to be little low but should not be unrealistic because of the following factors.

1. the policy of adopting labour-intensive project.
2. high priority provided for agriculture which has a very low capital output ratio.
3. transfer of regular type of expenditure into the regular budget.

Since it may not be practicable to continue to adopt labour intensive project/techniques in the latter plans a capital output ratio of 3:1 has been assumed.

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